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 ACTION EB-00

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R 261511Z AUG 02  
 FM AMEMBASSY BOGOTA  
 TO SECSTATE WASHDC 0671  
 INFO AMEMBASSY CARACAS  
 AMEMBASSY QUITO  
 AMEMBASSY LIMA  
 AMEMBASSY PANAMA  
 AMEMBASSY BRASILIA  
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E.O. 12958: N/A  
 TAGS: EPET, ECON, ENRG, EFIN, CO

SUBJECT: HIGHER THAN PLANNED OIL PRICES COULD HELP COLOMBIAN  
 BUDGET

REF: BOGOTA 7397

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1. (U) HIGHER OIL PRICES DUE TO VOLATILITY IN THE MIDDLE EAST COULD SIGNIFICANTLY HELP THE COLOMBIAN BUDGET THIS YEAR. BUDGET FORECASTS FOR THIS YEAR PREDICTED USD 20 PER BARREL FOR 2002. SO FAR THE AVERAGE PRICE THIS YEAR HAS BEEN USD 24, AND PRICES RECENTLY REACHED USD 30 PER BARREL. EACH ADDITIONAL DOLLAR PER BARREL PER YEAR MEANS AN EXTRA USD 100 MILLION PER YEAR.

2. (U) ECOPETROL WILL TRANSFER BETWEEN USD 270 MILLION AND USD 400 MILLION TO THE COLOMBIAN GOVERNMENT THIS YEAR FROM OIL EARNINGS. THE GOC HAS PROPOSED ENDING FUEL SUBSIDIES

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UNITED STATES DEPARTMENT OF STATE  
 REVIEW AUTHORITY: WILLIAM E LANDFAIR  
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(REFTEL), SO CONSUMER FUEL PRICES MAY INCREASE WITH INCREASED CRUDE PRICES. PETROLEUM ASSOCIATION PRESIDENT ALEJANDRO MARTINEZ SAID THAT THE INCREASED EARNINGS WILL MORE THAN OFFSET ANY DAMAGE DONE TO THE ECONOMY BY INCREASED FUEL PRICES. TO DATE, THE GOC HAS NOT ANNOUNCED PLANS TO SPEND THE MONEY, BUT AS THE NEW ADMINISTRATION PREPARES TO INCREASE SPENDING ON THE ARMED FORCES, THE EXTRA MONEY WILL BE A WELCOME ADDITION TO GOC COFFERS.

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